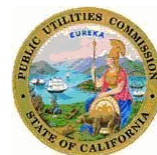


**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



FILED

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Application of California-American Water
Company (U210W) for Approval of the
Monterey Peninsula Water Supply Project and
Authorization to Recover All Present and Future
Costs in Rates.

A.12-04-019
(Filed April 23, 2012)

**JOINT RESPONSE TO PUBLIC TRUST ALLIANCE'S MOTION CONCERNING
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I. INTRODUCTION

Pursuant to Rule 11.1(e) of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure,¹ California-American Water Company (“California American Water”), Coalition of Peninsula Businesses, City of Pacific Grove, County of Monterey, Monterey County Farm Bureau, Monterey County Water Resources Agency, Monterey Peninsula Regional Water Authority, Monterey Peninsula Water Management District, and Salinas Valley Water Coalition, (collectively, the “Joint Parties”) submit this Joint Response to *Public Trust Alliance’s Motion to Request Consideration of Reasonable Courses of Action Consistent with law Before Committing the California Public to an Unreasonable Project* (“Motion”).

As described in greater detail below, the Motion seeks to turn this proceeding into a general forum for considering various water supply projects. The Joint Parties believe that the Monterey Peninsula Water Supply Project (“MPWSP”) is the only viable project capable of providing water to the Monterey County District in prompt order. Until proven otherwise, it would be improper and irresponsible for the Commission to consider the vague and dubious alternatives put forth in the Motion. For instance, the Motion suggests that the Commission

¹ Unless otherwise stated, all further references in this Response to Rules are to the Commission’s Rules of Practice and Procedure.

consider in its review of the Settlement Agreement alternative projects, including “no project,” “sharing of naturally occurring public fresh water supplies” that are not identified, or possibly some use of the Salinas watershed.² The Motion seeks consideration of unrelated projects and in a manner that places its requested relief beyond the scope of this proceeding.³ Moreover, the Motion ignores that California American Water previously considered and rejected at least ten possible alternative sources of water, including surface water sources from the Carmel and Salinas Rivers, and that the Application’s proposed MPWSP desalination plant proved superior, including in terms of cost, timing, and reliability.

II. DISCUSSION

A. PTA’s Request Exceeds The Scope Of This Proceeding and Ignores the Commission’s Prior Rulings on the Environmental Review

PTA’s request that the Commission now consider new options is beyond the scope of the proceeding. With respect to the Settlement Agreements pending before the Commission, this proceeding is limited to determining the following with respect to the MPWSP: (1) is it required for public convenience and necessity; (2) is it a reasonable and prudent means of securing an adequate, reliable and cost-effective water supply that meets California American Water’s legal requirements for the Monterey County District; and (3) would the granting of the Application be in the public interest.⁴ The Commission was clear: “This proceeding is for the purpose of determining whether the applied-for project should be approved; ***it is not a general forum*** for entertaining water supply options unrelated to the application of a Commission-regulated utility.”⁵ Moreover, nothing in this proceeding purports to stop or diminish the progress of any independent projects.

PTA’s suggestion that granting its Motion is necessary to ensure Commission compliance with the California Environmental Quality Act ignores the Commission’s prior

² See PTA’s Motion, dated Feb. 6, 2014, at p. 2.

³ This Response does not address the procedural inadequacies of the Motion, including but not limited to the failure to “concisely state the facts and law supporting the motion” and request “specific action.” Rule 11.1(a), (d).

⁴ See Amended Scoping Memo, dated Sept. 25, 2013, at p. 3.

⁵ Scoping Memo, dated June 28, 2012, at p. 2 (emphasis added).

rulings on this matter. The Commission has ensured “[t]he environmental track [of the proceeding] provides ample opportunity for comments on environmental issues,”⁶ including “[f]easible alternatives to the [MPWSP]...”⁷ And consistent with CEQA, “parties will have the opportunity to comment on the DEIR before the FEIR is certified. Those comments...will be considered in the Proposed Decision [PD], and the parties will also have the opportunity to comment on that PD before the Commission acts.”⁸

B. The MPWSP Represents The Best Alternative

Prior to filing its Application, California American Water conducted a study of eleven alternatives for solving the water supply problem on the Monterey Peninsula, including alternatives that relied solely on surface waters from either the Carmel or Salinas Rivers.⁹ As a result of the study, California American Water determined that a desalination plant north of Marina, with or without a GWR component, was the lowest cost alternative, both in terms of overall capital cost and O&M costs plus capital cost recovery. Based on the study, California American Water proposed the MPWSP in its Application, as it proved superior, in terms of cost, timing, and reliability.¹⁰

The study assumed each of the eleven alternatives was equally viable from a permitting and water rights perspective. From a scheduling perspective, however, it did evaluate water rights and permitting and found the desalination plant north of Marina had the best overall potential to be developed prior to any other project – a critical factor given the January 1, 2017 deadline for California American Water to terminate non-permitted diversions from the Carmel River.¹¹

⁶ Amended Scoping Memo, dated Sept. 25, 2013, at p. 5.

⁷ Scoping Memo, dated June 28, 2012, at p. 2.

⁸ Amended Scoping Memo, dated September 25, 2013, at pp. 5-6.

⁹ See Exh. CA-6, Direct Testimony of Richard C. Svindland, dated April 23, 2012 (“Svindland Direct Testimony”), at pp. 15-16.

¹⁰ See Svindland Direct Testimony, at p. 16.

¹¹ See *Cease and Desist Order*, State of California State Water Resources Control Board Order WR 2009-0060, at p. 57, Ordering ¶1.

Following extensive testimony, evidentiary hearings and months of settlement negotiations, the large majority of the parties in the proceeding agreed that the Commission should approve the MPWSP and approve authorization to recover costs in rates,¹² as set forth in the Settlement Agreement.¹³ The settling parties have recognized that the MPWSP, with its desalination plant component, is the best alternative within the scope of the proceeding for securing an adequate, reliable and cost-effective water supply that meets California American Water's legal requirements for the Monterey County District and is in the public interest.

III. CONCLUSION

The Joint Parties respectfully request that the Commission disregard PTA's requests: (1) that the Commission deviate from its review of the Settlement Agreement; and (2) that it now entertain new options which are beyond the scope of the proceeding and unrelated to the application of a Commission-regulated utility.

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¹² The parties to the large Settlement Agreement, filed on July 31, 2013, are as follows: California-American Water, Citizens for Public Water, City of Pacific Grove, Coalition of Peninsula Businesses, County of Monterey, Office of Ratepayer Advocates (formerly Division of Ratepayer Advocates), Landwatch Monterey County, Monterey County Farm Bureau, Monterey County Water Resources Agency, Monterey Peninsula Regional Water Authority, Monterey Peninsula Water Management District, Monterey Regional Water Pollution Control Agency, Planning and Conservation League Foundation, Salinas Valley Water Coalition, Sierra Club and Surfrider Foundation.

¹³ See Settling Parties' Motion to Approve Settlement Agreement, dated July 31, 2013, at p. 2.

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